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AGRICULTURAL COMMERCE AND RURAL DEVELOPMENT IN INDIA: RESOLVING THEORETICAL AND SUBSTANTIVE CONFUSION

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AGRICULTURAL COMMERCE AND RURAL DEVELOPMENT IN INDIA: RESOLVING THEORETICAL AND SUBSTANTIVE CONFUSION*

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1. Introduction: Rural development, the marketed surplus and the role of trade

An analysis of the role of agro-commerce in rural development demands that we first attend to the nature of "rural development" itself. From this we may come to understand the relative importance of our subject matter. We also need to examine critically the specific historical evidence for the economic and social characteristics of agro-commerce and its role in India in order to provide a context of theoretical and substantive reference. From this exercise we may also become aware of problems resulting from the ideological masks worn by this evidence. This then is a sketch map of this paper. Our first task is to try to separate weeds from plants in the terminological and conceptual thickets comprising the rhetoric of rural development.

According to the World Bank - which is the only multilateral development agency with substantial financial resources at its disposal (Van der Laar, 1976, p.2; Williams forthcoming):"Rural development is a strategy designed to improve the economic and social life of a specific group of people - the rural poor ...... Rural development is concerned with the modernisation and monetization of rural society and with its transition from traditional isolation to integration with the national economy....The objectives encompass improved productivity, increased employment, and thus higher incomes for target groups as well as a minimum acceptable level of food, shelter, education, and health" (1975, pp. 1-2). Practically, then, "recognising the high

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* A slightly different version of this paper comprises Ch.1 of "Transitional Trade and Rural Development" forthcoming, Vikas, Delhi.

priority of food production, the Bank looks upon the need to reduce poverty in the rural areas and to increase food production as twin goals. Its emphasis on rural lending, therefore, includes lending not only for those in the poverty target groups, but also for the larger-scale farmers when it is necessary to raise their production in order to increase domestic food supplies and/or contribute to exports" (ibid, p.12).

Given the World Bank's slowly emerging commitment to increasing productivity and food production, to "modernising, monetizing, and integrating" (presumably traditional, subsistence and isolated societies), and to allocating funds to larger farmers than are actually defined in the target group in the interests of national food production and of the maintenance of exports, then it is clear that the most important of the twin goals of increasing production and reducing poverty is to increase production, and to encourage the use of agricultural technology which has historically brought about the revolutionary transformation in productive potential in the west that is needed in South Asia. This is the process referred to so elliptically in a rural development rhetoric. If this process is effected, then the infrastructural and welfare provisions which are supposed to make up the second part of the twin goals can be balanced by a combination of taxation and of international aid for public works and infrastructure (World Bank, op. cit. p.30), as part of a package explicitly integrating capitalist agriculture with welfare provision.

This is effectively the strategy advocated by Mellor in the "New Economics of Growth" (1976). Mellor gives a closely argued statement of the mechanisms and linkages involved in rural development. Having established from recent historical evidence that direct physical distribution by the State is not efficient in raising the incomes and improving the diet of poor rural people, he advocates a strategy which he calls "integrated rural development"

consisting of labour-intensive rural industrialization "in the small-scale sector where competitive market forces are more likely to prevail" (op. cit. p.282). According to Mellor, this will be financed by the surplus extracted by income and other taxes from a dynamic agricultural sector. The agricultural sector in turn will be dynamised by an injection of finance capital, notably in formal sector agricultural credit. This would increase farmers' capacity to adopt new agricultural technology, and therefore would raise the incomes of small farmers. It would also contribute to creating employment for the landless.

Now there is no doubt that the shift in the emphasis in international concern and international financial and technical assistance from urban industrialization to improvements in rural productivity would involve the largest economic sector of most "peripheral" countries. It would provide a force to counterbalance to some extent the extreme concentration of activity in urban areas, a process described by Lipton (1975, 1977). However, this "rural development" strategy rests on a number of assumptions, which must be considered in order to specify the role of commerce in this process.

One assumption of a rural development strategy which encourages an increase in social equity in the allocation of increased resources is that the new agricultural technology is "scale neutral" with neither economies nor diseconomies of size, and that the rural poor will share at least equally with the rural rich in increased profits. There is a mass of evidence to show that, in Raymond Apthorpe's words, "this is bad theory" that the intensive, high yielding varieties' technology is adopted first by large farmers; that the profitability of cultivating high-yielding varieties increases with increasing holding size; that though small farmers are more efficient and more productive than are larger farmers with traditional technology, this relationship is by no means established for

the new technology; that though wages for agricultural labour may have risen in real terms in certain regions as a result of the new technology's increased demands for employment, this is not universally true and the profits from the new technology have gone disproportionately to cultivators and thus to larger cultivators; and finally, that the new technology has tendencies not only to create employment but also do displace labour. The net effect, of course, will vary from place to place (Bharadwaj, 1974; Byres, 1972; Chinnappa, 1977a; Lal, 1977; Lipton, 1977; Patnaik, 1972; Rudra, 1978; Wharton, 1969). Rural differentiation involving increases in economic inequality within rural areas has also increased. Institutional changes, often made in the spirit of an egalitarian ideology, have, in practice, aided differentiation (Byres, 1976) and absolute poverty intensifies (Griffin, 1972). Exceptions to this evidence have been minor and tend to prove the rule.

A second assumption of rural development strategy is that a substantial numerical potential exists for "incorporation, monetization," and the like. In fact, it is disputable whether the existence of large numbers of poor people represents such a potential or whether they represent the by-product of this very process of incorporation and monetization in its slow and uneven spread into the countryside.

Should the latter interpretation be true, then we have to face the intractable contradiction that the production technology which increases productivity and increases marketed surplus and enables redistribution to take place to the non-agricultural population involves by its nature the enlarging of the landless population dependent upon this increased production. The World Bank's twin goals may be contradictions. One cannot increase production and eradicate poverty; one cannot eradicate poverty without increased production, and therefore one must increase production and cannot eradicate poverty.

A third assumption that rural industrialization, increased employment in agriculture, or, most usually, rural public works can accommodate the landless indefinitely flouts historical evidence most blatantly. Yet it is obvious that how the landless are accommodated depends upon the size of the landless labour force. In South Asia it is large; it is also growing, not only through population increase despite the probability of lower fertility rates in the poorest groups (Dyson, 1975, Hawthorn, 1970) but relative to the landed rural population, because of the very process of differentiation that generates relative prosperity for a few.

The limitations of conventional rural development strategy may be more apparent. There are formidable and irreconcilable institutional constraints for poverty-oriented development projects, some internal to agencies such as the World Bank (e.g. the eligibility criteria for I.D.A. credits) some external (e.g. the necessity for political stability in recipient countries, or the necessity to lend money through Governments). The Bank's strategy does not seek as a first priority to remove impediments to an increase in food production for consumption by producers. This might be done by changes in farm management and by crop diversification which would improve the nutritional status of cultivators but would otherwise little alter a subsistence petty commodity producing sector, and would little affect the incorporation, monetization, or modernization of society (or even that part of society which cultivates the land). The World Bank's role in developing High Yielding Varieties is confined to chairing the Consultative Group on International Agricultural Research with the resources of modest funds ($5 m. in 1975 for example out of the total cost of the International Crop Breeding Centres of $64 m (C.G.I.A.R, 1976; Van der Laar, 1976)). No spectacular achievements in plant breeding have been made since the now dated High Yielding Varieties in wheat and rice. The resources committed to agricultural research scarcely match the rhetoric. Actually, rural development strategy seeks to remove impediments to increases in food supplies

to be provided by the upper sections of the "rural poor" in an expansion of the sector producing for and consuming from the market.

2. The importance of marketed surplus and hence of trade

It must be recognised, after Post (1970, pp. 9-11) that marketed surplus is not to be fetishised as "food or raw materials above domestic requirements" (Childe, 1952) not the least because of value judgements as to the size of the latter. It is rather the manifestation of social relations involving the indirect expropriation of the product of labour power. Thus the generation of marketed surplus is at the centre of the complex web of social interactions on which the development of agrarian economies depend. The physical supply of agricultural raw materials clearly conditions the rate of growth of agro-based industry, whether rural or urban in location (Byres, 1974, p.222-25). The physical supply of food provides the basic wage good for the whole of the economy that is non-food-owning. The exchange of agricultural goods for money in turn generates a demand for investment and consumption goods, produced by the non-agricultural sector. From the agricultural sector can be transferred financial resources which can be reallocated to public sector infrastructural or industrial investment, urban or rural, or to private sector industry, urban or rural, or to commerce. Financial resources can be appropriated through the marketed surplus in several ways:

(i) By the obligatory element in marketed surplus necessary to obtain cash to pay taxes (Bell, 1974, p.210);

(ii) By income taxes, income being derived from marketed surplus, and via taxes on the goods which the income obtained from selling the surpluses is used to purchase;

(iii) By the manipulation of relative prices (agriculture versus non-agriculture) to increase production and, therefore, increase marketed surplus. Yet,

this will only mobilize a financial surplus if the supply response to prices is perverse, "If peasants market more in order to buy the same bundle of industrial goods, they are, in overall terms, consuming less and contributing more to total savings" (Byres, 1974, p.225; see also Livingstone, 1977, and Lipton, 1977). This behaviour exists under severely limited circumstances. The supply response is generally positive, and therefore the manipulation of relative prices to turn the barter and income terms of trade towards agriculture encourages an increase in physical, rather than financial, surplus;

(iv) By the direct investment of the capital accumulated by cultivators.

The terms on which, and form in which, resource extraction takes place will define the beneficiaries of this process. Thus, the success of rural development strategy is not very different from the success of non-rural development strategy then, in its dependence on the generation, transfer and redistribution of a financial surplus. In this transfer process, the physical and financial distribution comprising commerce is essential. The efficiency with which merchants market the physical supplies of agricultural produce, with which they deal in the consumer and investment goods of the agricultural sector, has clear repercussions, both for the rate of transfer of resources and for the uses, productive or unproductive, to which they are put. But, as Sau says (1978, p.362) "neither the exact size of this surplus nor its mode of utilisation has been systematically studied so far." What is the record? How have traders influenced the course of rural development?

3. Merchants in rural development - The central conundrum

The number of South Asian studies of rural or small town traders is small, certainly compared with those of agricultural production, and it is difficult to find an interpretative

pattern. This is not due to the undoubted fact that very few writers have explicitly considered our questions. To what it is due will be evident later on. But for the present, we can tentatively identify three different interpretations of the role of merchants in Indian rural development:

(i) "Trader as entrepreneur"

(ii) "Trader as powerless agent of stagnation", and

(iii) "Trader as powerful agent of underdevelopment."

4. Trader as entrepreneurs - Agents of development

Entrepreneurs have been confusingly defined with reference to two characteristics. On the one hand, the entrepreneur is "one who brings together resources both material and non-material in new and profitable combinations". Entrepreneurship is characterized by "high risk and a willingness to experiment with relationships and strategies". Thus emphasis placed on innovation and experiment. Simultaneously entrepreneurship is defined as "a complex process of decision-making aimed ultimately at economic expansion." (Long, 1977, p.128). "Entrepreneurs will direct their activity pre-eminently towards those points in an economic system where discrepancies of evaluation are greatest and will attempt to construct bridging transactions which can exploit these discrepancies." (Bath , in Long op. cit, p.120, see also Michie, 1978 p.637-9). This definition emphasises not innovation but the reaping of profits.

Some writers have somewhat promiscuously attributed all traders and even moneylenders as entrepreneurs of this sort, emphasizing the "innovatory nature" of combining resources to perform economic services in peasant economies. Broehl and London, in their work on traders in agricultural inputs in Tamil Nadu, Punjab and Uttar Pradesh respectively, see the traders' choice of new commodities as a positive exercise of entrepreneurial skills. Broehl goes so far as to establish a "functional model" of entrepreneurship (1973).

The fertiliser trader starts with one type, progresses to many types, then many brands, then adds pesticides, then pesticide sprayers, then a tractor-hire service, expanding to include the provision of transport of agricultural inputs, soil-testing services, and finally extension-style advice and information. Broehl and London see both the medium and the message as more appropriate to rural areas than are similar services financed by Government. Darling had earlier considered the Punjabi baniya trader-moneylender as indispensable (1977, p.168) which is not the same as appropriate. However, evaluations stressing appropriateness and essentiality are repeated by De Guia in a comparative study of fertiliser distribution systems (1972, p.128-129), "The travelling salesman, the Bank agronomist, and the Government extension worker are all transients and cannot be as effective persuaders as the local dealer because of his psychological and social link with the community. There is a need to exploit this by motivating the dealer. It is of importance to shift gradually the responsibility for agronomic techniques etc. to a well-trained fertiliser retailer." By virtue of their linkage effects, such agricultural trading entrepreneurs may form the core of decentralized rural growth centres (Sen, 1972, pp.3-9) which, by providing inputs, farm investment goods and consumer goods, and by marketing products, commercialize the countryside and act as a mechanism by which the ideology of modernization diffuses through rural areas (Brookfield, 1975, pp.85-123).

As important as innovation in commodities in the minds of writers of this school is the entrepreneurs' ability to mobilize scarce resources. The scarcest resource of all is assumed to be capital (or the ability to get credit) and the characteristic contribution of the entrepreneur is to "make unproductive capital productive."* London (1975, ch.6) contends that the activation of private capital in physical infrastructure, equipment and stock leads to a re-allocation

* Capital is not used in the Marxist sense of a set of social relations under which labour is commoditised, but refers to the bourgeois conception of "financial resources".

of factors of production by virtue of the fact that neither Government nor big private industrial producers need invest further in trade. They may both put capital to alternative infrastructural uses with confidence, because of a mass of evidence (largely from foodgrains markets) that private traders are highly competitive in terms of "structure" variables such as the numbers of people and the size distribution of businesses involved, and that private trade is also highly efficient in terms of the resources allocated to it as evinced by analyses of average price margins. This efficiency is especially marked when the standard of comparison is not an abstract model such as that of perfect competition, but is instead the operational efficiency of parastatal organizations such as marketing boards or co-operatives. Hirsch, in London, expresses well a corollary of this point of view: "As long as there is genuine competition among those who wish to provide a service, it does not matter that the potential client is economically weak, competition should protect his interests." Further, an important aspect of competition between traders as entrepreneurs is the extension of credit facilities or the lending of money to clients. Even such a traditionally critical source as the All-India credit survey states in connection with the use to which money-lending by traders is put (1969, pp.405-406). "A lack of concern for prpductive purpose is not likely to be true of a fertiliser dealer who is sometimes also a moneylender or a trader in agricultural commodities. His credit is itself provided in kind and hence less liable to be misutilized but more likely to help raise production. This type of credit seems to be more on the increase. There is, in addition, the obvious advantage of a link between credit and marketing. Private distributors of fertiliser may be expected to play an increasing part in promoting credit sales."

The Indian Government's success in financing production is modest, it is claimed, because private moneylending is competitive, relatively orderly and socially accommodating, interest rates having an inverse relationship to the level of commercialization of agriculture, and generally reflecting not monopoly control but the risk of lending and the cost of loan administration (Bottomley, 1964; Bottrall, 1976; Ghatak, 1975).

Lastly, with reference to 'capital', traders are apparently one of the few sectors of society well marked by "an ascetic compulsion to save" (Hazlehurst, 1966,p.68). This conspicuous net savings in commerce, whether or not marked at the same time by conspicuous consumption, may be mobilized and transferred by Government through the medium of the nationalized banks and invested to the social good.

Another way in which private trade may aid rural development is in the provision of employment. London states (categorically and without substantiation) that private trade is more labour-intensive than alternative forms of trading organization. Private trade requires vastly less capital for slightly less productivity per unit of labour (1975, ch.3), the measurement of productivity being unspecified. If this is indeed correct it would follow that, in view of the failure of both agriculture and manufacturing industry to absorb surplus rural labour and in view of Government's commitment to employment generation, especially outside metropolitan areas (Gore, 1975), this aspect of private trade cannot be lightly dismissed.

Finally, two important conclusions of Geertz's work on Indonesian traders, are germane to this school of interpretations, namely that "the function of the entrepreneur in such transitional societies is mainly to adapt customarily established means to novel ends" and "the major innovations and innovational problems the entrepreneurs face are organizational rather than technical" (1963, pp.151-152). Broehl emphasizes the fact that far-reaching innovations in commodities traded and services rendered may be compatible

with low volume or part-time or, to some extent, peripatetic businesses, allowing operations at fixed locations and accommodating in an incremental fashion an uncertain and slowly growing density of rural demand. Other forms of organizational entrepreneurship may consist of inventory management, accounting procedures, management of the labour force, technological innovation, and forms of ownership such as the partnership. Such structural changes may be achieved while trader-client relationships maintain their traditional qualities of accessibility and flexibility - above all in money-lending and credit. Traders may be strangers, and money-lenders may generally be despised, yet they remain socially embedded in a way impossible for Government administrators. To introduce the idea of mistrust and despicability into this account of the trader as entrepreneur suggests that the interpretation of "the trader as entrepreneur" cannot be passed over uncritically.

The view of trader as entrepreneur (it can hardly be called a theory), assumes as given a mixed economy with private trade co-existing precariously with various forms of competing Government intervention - state boards for marketing agricultural commodities, panchayat unions for inputs, co-operatives for inputs and credit, etc. The case presented is implicitly comparative: private traders are more efficient at bringing about rural development than are parastatal alternatives. Their contribution to rural development is either seen as a simple increase in commercialization, in producers' involvement in a cash economy, in their dependence on commodity markets, all this with little attention paid to the social distribution of these goods and services. Or the traders' contribution is seen in terms of performing activities which release Government funds and personnel and enable them to be useful for other purposes. The characterization of all traders as actively entrepreneurial is ideological ignoring for

instance the fact that many types of traders are deliberately selected by the marketing representatives of large companies, trained by them, and carry out their orders in quite a passive way. Moreover, the Broehl scenario features traders who expand and diversify their businesses and does not account for the collapse of firms except perhaps with reference to the inefficient going to the wall in the competitive battleground. A statement such as "Many entrepreneurs are not well schooled in their businesses and lack access to new ideas" with reference to Asian food traders (Bucklin, 1977, p.120) or a description of traders as "stagnant entrepreneurs" (Michie, 1978, p.637) are plain contradictions in terms, and confuse unhelpfully the bridging of discrepancies by traders established in monopoly positions with innovation, which in its initial uniqueness has elements of monopoly.

More seriously, none of the major proponents of the trader as entrepreneur school ever mention the possibility that capital mobilized in trade may not be capital realized from the sale of items of conspicuous consumption or from dowries which would otherwise lie unused but may actually constitute capital appropriated from agricultural producers through the mechanism of moneylending at monopoly interest rates or cheating and speculating on prices.[1] Multifunctional firms selling consumption goods on credit may thereby disguise retail margins unjustified by trading costs, and may additionally require payment in kind to a predetermined money equivalent at post harvest low prices. Traders may store grain and add further to the rate of

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1 In a published photograph of fertiliser dealers selected by three major fertiliser companies in South India for Western psychological and group therapy training to sharpen entrepreneurial skills on the basis of their previous identification from an English questionnaire as people possessing promising entrepreneurial qualities, three dealers known to this writer are classic examples of unscrupulous and corrupt businessmen.

return on their financial outlays (see data in Michie, 1978). Furthermore, the highly "employment generative" nature of private trade may be at the expense of adequate wages and the type of costly welfare benefits for which legislative provision is made in the organized industrial sector (Holmstrom, 1976). Trading capital may thus be mobilized through the exploitation of the labour force within the firm.

On a superficial level, it is not possible to tell from this literature, whether the entrepreneurial school consider all traders to be entrepreneurs or whether it is rather that traders fulfilling the conditions for entrepreneurship have been the object of their research. Less superficially, since the investigations on entrepreneurship in commerce verify preconceived notions rather than rigorously test hypotheses (thereby facing the possibility of refutation) the general case for the trader as entrepreneur is by no means proven and must, if advanced, be concluded to be ideological.

5. Traders as powerless agents of stagnation: "subsistence trade"

It is remarkable that the small band of anthropologists who have studied the socio-economic structure of market towns in South and South East Asia present almost without exception a very different picture of the trader and of rural-urban relationships to that of the entrepreneur school. Geertz pioneered such anthropological research in his seminal work, "Pedlars and Princes" (1963). Although his purpose there was to explore the social context of economic modernization characterized by the evolution of the firm (an analysis intended to leaven W.W. Rostow's now largely discredited Stages Theory of Growth, 1960), he conceded that the dominant trading activity amongst considerable variety was that of the bazaar economy. Geertz's "bazaar economy" is to be found in Fox's Study of Traders in Tezi Bazaar in North India (1969) as well as Mine's work on Muslim traders in Palavaram near

Madras (1972). The bazaar economy is characterized by firms with a natural diversity of commodities, not a deliberately evolutionary diversity resulting from entrepreneurial decisions in the strict sense. This diversity is not for the purpose of profitability but as with intercropping is designed to minimize risk. "Traders lack entrepreneurial discipline", says Fox (1969, p.131). Small-scale, petty commodity production and trade may be combined in a single enterprise. Initial capital requirements are small, and entry into trade relatively free. Capital for such purposes is mobilized, more often than not, by the expedient of borrowing. Small amounts of cash lubricate entry into a hierarchy of creditor/debtor relationships: creditors attempting to minimize credit, and debtors to maximize debt (Hazlehurst op.cit. p.86-95; Geertz op.cit. pp.36-40; Mines, op.cit. p.111; Fox op.cit. ch.8). Trading transactions consist of large numbers of unrelated interactions, price being determined by bargaining and individualised haggling and "not rationally planned." Fox calls this type of trade <u>subsistence trade</u>, "Stores and commercial concerns provide, and need only provide, a rather low return to the merchant before he is willing to undertake them. The key to investment is not the normal market situation, it is the merchant's fears for subsistence safety. This safety is reflected in the large numbers of shops, each taking a minute part of the general risk, each adding a small particle of capital to the assets of the market as a whole." (Fox op. cit, p.302)

The subsistence trading mentality manifests itself in an orientation towards short-term, easy profits involving, if necessary, adulteration, cheating and blackmarketing. References to traders' avarice have thus to be understood in this context. Many students of South Asian business notice the relative lack of permanency; enterprises collapse, money is lost "through bad speculation, litigation, court action, the fraudulent practices of servants, clerks, and

business partners" (Fox, op. cit, pp.149-150; see also Streekerk for Gujarat (1976); Publioover for Sri Lanka. (1975).

Perhaps for reasons of instability trade is only highly generative of employment within the confines of a family, joint or otherwise, "No major business is supra familial" says Fox of his baniya traders (op. cit. p.311), and most of the few partnerships observed were pseud, made for legal convenience within the family; Mines's Muslim Tamils are "distrustful of purely contractual business relationships" (1972, p.110) as are Hazlehurst's Agrawal Baniyas in Punjab. Within the citadel of the trading firms, the division of labour is highly specialized according to Geertz because of an excess of personnel who need to be employed relative to the specifically economic functions that need to be fulfilled (op. cit. p.45). The detail of the anthropological case studies casts doubt on the entrepreneurial school's expectation that trade will help mop up surplus rural labour. This is particularly true when trading castes are foreign, migrant, strange, or concentrated in urban areas and therefore separated from the rural population by strong social barriers[1].

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1. Richard Lannoy, in his work on Indian cultural history, associates the historical evolution of internal trading with the individualistic anti-caste, anti-ritualistic, emancipated religious movements of self-enquiry, such as Jainism, Buddhism, and the Bhakti cults, who have maintained monopoly control of trade since the nineteenth century. According to Lannoy, orthodox Brahmanical Hinduism constrained the development of trade, because of the principles of cyclical causation, Dharma and Karma, a stasis of circulation, rather than an incremental disequilibrium. He also attributes it to collective reciprocity, the obligations of the joint family, and of the laws of inheritance (1972, pp.213-214). Singer (1972) and the Rudolphs (1967), amongst others, show how Brahmanical Hindu ideology can, in fact, accommodate modern business ethics and practice, once material conditions encourage industrialization. Still, however, over much of India and elsewhere in South and South East Asia and East Africa, trading is in the hands of 'stranger' communities which are socially distinct from those who work the land, Merchants are "thieves that are not called by the name of thief."

Historical research has also corroborated the vulnerability of urban commercial settlements. Bayly for North India traces the rise and fall of market centres in the eighteenth century according to changes in long distance trading ties and the demand for staples (1975a, 1975b) and ecological change resulting from deforestation and salinity in the surrounding regions. Spodek interprets the rise and fall of the many "rajadom" towns of Saurashtra (in what is now Gujarat) specifically in terms of changes in the nature of political control, on which the mercantile community was dependent (1976). Again in North India Fox writes for nineteenth century "rurban" clans in Uttar Pradesh "The merchants and markets contained in lineage centers more nearly resembled refugee camps than permanent commercial communities. Such was the case not only because the tradesmen came together helter skelter to enjoy the 'peace of the lineage raja' it is also so because the lineage leaders created the markets for reasons of status maintenance, rather than commercial necessity"... "When the power of the lineage and therefore of its elite waned, so too did the markets they created suffer a decline" (Fox, 1970, pp.179-180).

The present day urban economy is also vulnerable, indeed rarely described as other than "under-organised and over-complicated". Thus it is called inefficient in its use of labour and capital and in its traditional petty commodity trading, and it is not capable of causally affecting the development of rural areas. The system is uninnovative: "Small traders cannot expand the scale of their operations. They have neither the capital nor the entrepreneurial daring to restructure an inefficient marketing system" (Johnson, 1970, p.86). The stagnation of the bazaar economy is a reflection of the relative stagnation of the economy as a whole, including, of course, that of the agrarian economy. As Geertz puts it: "The bazaar stands as much in the way of Indonesian economic progress as does machineless handicrafts and over-intensive ("involuted")

cultivation (op. cit, p.58), and the one is the counterpart of the other. At best, the economic interstices of the bazaar offer easy entry into petty peddling and the credit offered or money lent by larger traders to peasant producers provides them with production and consumption finance and assures traders of a smooth supply of agricultural surplus. At worst, rural clients exist to be cheated and exploited, in turn they regard the urban trading community as morally derelict and alien, and their trade parasitic and anti-social. We have come a considerable way from the trader as entrepreneur school, and it is not possible to find fault with the detailed conclusions of writers validly based, as they are, on painstaking fieldwork and case studies.

One general comment is relevant, however, Geertz's influential description of the Bazaar was based on fieldwork carried out in 1952-54. Being now 25 years further on in time, we might legitimately expect some change in the bazaar economy, in view of programmes to commercialize agriculture in South Asia, which began in earnest in India with IADP in 1960/61. Fox studied the subsistence economy of Tezi Bazaar in the early sixties. However, a town of 10,000 people in Eastern Uttar Pradesh cannot be expected to be a spearhead of innovation. We would be more justified in expecting the trading firm to appear first in economically progressive areas. Yet, in Hazlehurst's study of trading entrepreneurship in Punjab also carried out in the early sixties, where entrepreneurship is rather loosely and generously defined, we find no sign of the "firm." We might expect the rational organization of the business firm to diffuse outwards from metropolitan centres, but Mine's fieldwork on traders in Palavaram very close to Madras, which was carried out in 1967-69, shows no evidence of a large-scale transformation. It remains possible that in their efforts to understand trade in terms of Geertz's conceptualisation and in terms of the evidence both of European and of Asian

mercantile history, these anthropologists overlook evidence for the modern "entrepreneurial firm". However, another interpretation of traders suggests that they are not merely passive reflectors of a condition of economic stagnation but may be root causes of it.

6. Traders as powerful agents of under-development

The third view taken of the characteristics of market town traders and of their role in rural development is in flat contradiction to the first, and differs materially from the second. In this case, the role of traders as a class is far more important than the characteristics of individual firms. The mercantile class is stated as exerting a strang-lehold on commodity and money markets, appropriating and perpetuating monopoly profits to be reinvested either "unproductively" in conspicuous consumption or in land and property to be used for the extraction of unearned rent and for the protection of this class's monopoly position.

In this scenario, as commodities, money, and land are accumulated by this commercial class, so peasants become expropriated from their land, and non agricultural, non commercial consumers are progressively pauperised. "The merchants' ability to dominate the commodity market through stocking and price manipulation also implies a deduction from real income of wage and labour income earners as well as from consumers" (Chattopadhyay, 1969, p.234). "The exploiters appropriate half the income generated in paddy production by doing only a fraction of the productive work" (Djurfeldt and Lindberg, 1975, p.104). As a result, rural demand for the products of non agriculture stagnates and the mercantile class, too small numerically to create effective demand sufficient to support the domestic mass production of consumption goods, rely on foreign imports (see Joshi, 1969; Patnaik, 1973; Prasad, 1974; Sau, 1978; and Kay 1975 for a general statement).

Market towns, far from being growth centres, spreading ripples of wealth and modern information into the countryside (Misra, 1971) are thus sinks of the expropriated wealth created by rural areas. It is with reference to this mechanism that Chattopadhyay writes: "The mass of humanity in an English city of the Industrial Revolution represented the excreta of a production system; that of the Indian city represents the excreta of a consumption system, some of the new industrial towns notwithstanding" (1969, pp.221-222). And the All-India rural credit survey of 1951 concludes that the root problem of rural India originated in the colonial-cum-urban domination over India's rural economy, and private traders can be tolerated only so long as Government does not have viable alternatives.

Four striking features of this analysis of the role of commerce in underdevelopment are the high level of theoretical abstraction in which it is couched, the use of macro economic indicators for empirical 'verification', the pointed neglect of the work of (presumably bourgeois) anthropologists, and the conceptualisation of traders as 'unproductive'. This latter carries with it the strong implications that traders are not necessary and moreover, that state intervention to replace rather than to regulate private trade will lead to more productive uses for resources extracted from agriculture. Djurfeldt and Lindberg in a Marxist analysis of the social formation of Thaiyur village south of Madras have this to say of trade: "We have no data which allows us to estimate the amount of work involved in trade. It is clear, however, that it is marginal compared to the work put in by other classes." In their accounts of commodity distribution "As a convenient simplification, we set the contribution of merchants to zero" (1975, pp.160-162).

The idea that traders are unproductive and therefore not necessary, an idea very strongly challenged by the trader as entrepreneur school, derives from a blanket

transfer of Marx's <u>definition</u> of merchant capital to the commercial sector as a whole. In so doing, the concept of merchant capital is misapplied, and the writings of Marx on the functions of trade misinterpreted.

According to Marx, merchant capital or circulation capital is the oldest form of capital. Its existence requires simply the existence of both goods for exchange and money, and merchant capital is simply capital used to buy a commodity and to sell in at a profit in a manner specific to capitalist relations (Marx, 1974, Book I, ch.4).

According to the labour theory of value in which exchange value is the socially necessary abstract labour time put into the production of a commodity and where use value is a qualitative measure of usefulness independent of the amount of different types of labour required (op. cit. Book I, p.44, p.49) there are no activities undertaken by merchant capital <u>per se</u> which can increase the use value of commodities, Merchant capital is confined to buying and selling in the sphere of exchange. Marx concludes that the usefulness of traders consists in the fact that "a smaller part of society's labour power and labour time is tied up in this unproductive function" (op. cit. p.134). It is thus unproductive but necessary, because "the process of reproduction itself includes unproductive functions" (ibid). From this, the conclusion has been drawn that traders are unproductive.

However, the equation of merchant capital with the activities of traders is only correct if all traders do is to buy and sell and in so far as finance capital is unproductive of use value, if they also lend money. Few traders actually so restrict their activities. As a concrete phenomenon agricultural commerce often comprises activities productive of use value.

The transport of goods is productive of use value in a strict Marxist sense. Quantities of commodities are not increased by transport, he says, but "The use value of things is materialized only in their consumption, and their consumption may necessitate a change of location of these things, hence may require an additional process of production in the transport industry" (op. cit., Book II, p.153). "It appears as a continuation of the process of production within the process of circulation.

Processing (milling) likewise represents an interruption of the process of circulation for productive purposes"(op. cit., p.104) in order to make the commodity consumable.

On the other hand, storage "enhances prices without contributing to use value" (op. cit., p.142). In locking up resources to prevent or reduce loss, storage is unproductive but necessary to the organization of the supply of commodities on a market. However, elsewhere Marx argues that human and material resources used in the maintenance of machinery in industrial production are themselves productive of use value. So it can be argued that to the extent that storage maintains a commodity and prevents deterioration, it is also productive of use value. It can also be argued that, since the use value of things is materialised only in their consumption, and since consumption is not instantaneous, then the process of storage contributes to the production of use value in just the same way as does transport. To the extent that storage is used to appropriate surplus value from differences in price levels or, in entrepreneurial language, from discrepancies of evaluation or, in neoclassical language, from market imperfections, then of course it is unproductive of use value, A great deal of argument concerns the extent to which price rises cover the productive costs of storage and the extent to which they represent "speculation" or hoarding. On this, Weber says: "The calculations underlying commercial activity

will be called speculative to the extent to which they are oriented to possibilities, the realization of which is regarded as fortuitous, and it is in this sense incalculable. In this sense, the merchant assumes the burden of uncertainty. The transitions from rational calculation to what is in this sense speculative calculation is entirely continuous, since no calculation which attempts to forecast future situations can be completely secured against unexpected accidental factors. The distinction thus has reference only to a difference in the degree of rationality" (1964, p.272). Kaldor emphasizes the necessity of both storage and buy-and-sell trade: "Markets in a real world are not in continuous equilibrium. There are persistent differences between production and consumption which are reflected in increments and decrements in stocks. Competitive markets are inconceivable without intermediaries, merchants or dealers who are both buyers and sellers at the same time, who carry stocks so as to make a market that enables producers to sell and consumers to buy. The merchants' function is to create and to preserve an orderly market which they can do only through their willingness to act as a shock-absorber" (1972, pp.1247-1248).

Merchant capital accumulates by buying cheap and selling dear, a process through which surplus value is appropriated from the seller (who may in turn appropriate it from wage-labour, depending as the relations of production). In so far as commercial capital, an empirical category, differs from merchant capital by virtue of the fact that it may comprise productive activity, then surplus value may also be appropriated from wage labour within the mercantile firm itself. Insofar as merchant and usurer's capital are combined in commercial firms, then the appropriation of surplus value from the seller may be increased. In such circumstances, the indirect control of the means of production may actually be more complete than the direct control of the landlord.

Just as merchant capital in the strict definition of Marx's is an abstract category and therefore not identifiable as a concrete phonomenon, it is also very difficult, in agricultural markets, to distinguish practically between trading functions that are productive of use value, those that are unproductive but necessary, and those like hoarding that are both unproductive and unnecessary. By contract, the entrepreneurial school not arguing on the basis of the labour theory of value have no difficulty in interpreting every activity of traders as being capable of producing utility or usefulness.

Apart from the problem that the empirical evidence to flesh out the Marxist frame for the merchant capitalist as agent of underdevelopment is totally inadequate, there is another problematical misconception of vulgar Marxism. This concerns the role of merchants' capital. London in his book on agricultural inputs traders highlights this misconception when he criticizes the Marxist intelligentsia in India for their "anti-trader ideology." He says that: "Socialist and Marxist solutions conveniently fit historic bureaucratic predispositions in the elite" (1975, p. 1). He was referring, doubtless, to the in-built tendencies of bureaucracies to expand (Stutley, 1976) and to the prevalent temptation to expand into trade. However, London is guilty of precisely the crimes he accuses the "Marxist" elite of perpetrating by dint of his, and often their, over-simplification.

The historical role of merchant capital embodies fundamental contradictions. Merchant capital both destroys pre-capitalist structures but depends on them as its "nutrient base." Marx is quite clear about its ambivalent role: "The development of commerce and merchant capital gives rise everywhere to a tendency towards production of exchange values, increases its volume, multiplies it, makes it cosmopolitan, and develops money into world money.

Commerce, therefore, has a more or less dissolving influence everywhere on a producing organization which it finds at hand, and its different forms are mainly carried on with a view to use value. To what extent it brings about the dissolution of the old mode of production depends upon its solidity and internal structure, and whither this process of dissolution will lead, in other words what new mode of production will replace the old, does not depend upon commerce, but on the character of the old mode itself" (op. cit., Book III, Ch.20).

Thus, its progressive role is firstly to encourage the increase in production of goods for the market which undermines traditional social and economic relationships. In particular, it is the mechanism by which the ownership of property is transferred from the hands of many persons and concentrated in the hands of the few nascent capitalists. The way is prepared, thus, for the expansion of the labour force with labour as a free commodity subject to the laws of the market. The market for consumer goods is also expanded. The second aspect of its progressive role is to monetize the economy, and to enable the accumulation of capital by buying goods at below their value, by selling them above it, and by moneylending. Capital accumulation is logically prior to the development of capitalist production by virtue of the fact that investment capital is necessary for plant, raw materials, wages etc. for the period before production is completed (Hobsbawm, pp.106-107). As Lenin explains (1960, p.238): "Merchant capital and usurers' capital always historically precede the formation of industrial capital and logically are the necessary premise of its formation, but they are not sufficient for the development of industrial capital. They do not always disintegrate the old mode of production." Why not?

The retrogressive role of merchant capital is emphasized, firstly by the fact of its dependence on the

old pre-capitalist social relations for the exploitation of labour and the extraction of surplus value. Merchants' capital works to preserve the old mode, but in expanding the production of commodities it forces a deterioration in conditions of the very labour on which it depends, and therefore helps to create the labour market. "The further the development of commerce proceeds, bringing the country closer to the town, eliminating the primitive village markets and undermining the monopoly of the village shopkeeper, and the more there develops forms of credit that accord with European standards, displacing the village usurer, the further and deeper must the differentiation of the peasantry proceed" (op. cit., p.185).

Secondly, the accumulated surplus value appropriated through trade is re-invested in trade, not in production. Monopolies are formed which reduce further the competitive power and efficiency of trade, and which thwart the development of capitalist production on which the increase in commodities traded ultimately depends. In Marx's famous statement: "The independent development of merchant capital is inversely proportional to the degree of development of capitalist production." (op.cit. Book III, p.329). Competition between the capitals of market towns, in so far as they are centres of merchant capital, (though merchant capital was historically very highly mobile and not characteristically fixed in location), is not free and open, but takes the form of competition amongst many localized monopolies which, through time, may consolidate (Harvey, 1973, ch.6). However, it is not commerce which brings about a revolutionary increase in the scale of production or development or take-off: "It is not commerce which revolutionises industry, but industry which constantly revolutionizes commerce" (Marx, op.cit. Book III, p.333). Merchant capital requires an ever-increasing productive capacity and it is not unless and until merchant capital is subjugated to productive capital that this can be brought about in the interests of progress. Merchant

capital is like a pipe-line along which industrial production capital flows.

Under capitalist production, the producer does not own the means of production. Free wage labour is employed, and surplus value is appropriated by the owner of the means of production, and re-invested according to the formally rational criteria of the market. At this stage, merchant capital is reduced to being an extension of industrial capital, the former competing with the latter for profits, and both collaborating together in the attempt to increase profitability or the rate of profit.

Capitalism penetrates into agriculture particularly slowly and in extremely varied forms (Lenin, op. cit. p.178; Levkovsky, 1966). Historically in what are now advanced capitalist countries, capitalism has penetrated most successfully into those aspects of agricultural production where the total production time necessary has been reduced towards the total labour time necessary, thereby increasing the productivity of labour and the rate of profit. It has been resisted by "petty commodity production" where production time and labour time diverge widely (Mann and Dickinson, 1978). The locking up of capital in stock necessitated by the seasonal nature of most agricultural production and the relatively constant nature of demand also slows the circulation of capital and may reduce the rate of profit compared with other sectors of the capitalist economy. It slows the expansion of capitalism into agriculture. However, in a dominantly agrarian economy where even industry depends on seasonally produced agricultural raw materials, agricultural production is not necessarily uniquely constrained.

The forms taken by capitalist penetration into the agricultural sector are usually classified as variations on two broad processes, firstly the direct downward penetration of production capital from the class of merchant capitalists who have accumulated it sometimes called the

"Prussian path" (Sau, 1978, p.365). Alternatively, it may result from the savings of peasants and tenants who subsequently invested productively (Hobsbawm, 1964, p.113; Lenin, op. cit, pp.185-186). This process is called the American path (Sau, op. cit., p.365). "This is the really revolutionizing path" (Marx, op. cit. Book 3, p.344). This latter process will involve traders no less directly than the Prussian path in that the rate of accumulation of peasant producers will be affected by the prices received for their commodities, and that will depend upon the structure and behaviour of the market.

In examining the expansion of capitalism specifically into agriculture, as Kurien says in his review of Kay's work, "there cannot be any abstract generalizations about these conditions" (1977, p.430), and quotes Lenin: "Infinitely diverse combinations of elements of this or that type of capitalist evolution are possible." This is far from the crudely retrogressive view of the role of the trader that is so commonly caricatured by London and many others.. We are now in a much stronger position to understand the three schools of thought about the role of traders in rural development, and we can speculate on resolutions to the apparently blatant contradictions they generate.

7. Resolving some contradictions

To recapitulate crudely, in South Asia rural development either involves or is accompanied by the slow and imperfect sometimes partial expansion of capitalism into the agricultural sector. The entrepreneur school sees merchants as being capable of spearheading this rural development. The bazaar school sees merchants as passively reflecting an economic stagnation in which capitalist expansion does not figure significantly, and the vulgar Marxist school sees traders as causing rural pauperization and underdevelopment and of actively retarding rural development. All three schools of thought purport to address themselves to South Asian conditions. The result is very confusing.

But if the summary of the ambivalent role of merchant capital given here is acceptable then we can speculate about a possible resolution of the confusing and contradictory views of the literature treating the role of traders in India's rural development. The research record is too incomplete to provide evidence convincingly to counter possible criticisms of crude Marxist evolutionism. Nor does it allow us to disentangle whether the different interpretations of the role of traders stem from different ideologies, from substantive differences between geographical regions or from a combination of both. In spite of this, it is at the least satisfying to speculate that the "bazaar economy" might be the sphere or circulation of the dominantly pre-capitalist or petty commodity producing society; that the trader as agent of underdevelopment might be the agent of the sphere of circulation in the stage in the transformation to capitalism of the domination of merchant capital; finally, that the trader as entrepreneur, were he identified, might be the agent of the sphere of circulation of dominantly national capitalist enterprise. It is accurate to characterize Indian capitalism as national when "foreign monopoly capital is probably less than 1 per cent of India's total reproducible capital" and where the top rural 10 per cent is a larger market than the combined urban one (Sau, 1978, p.370).

8. Regional variations in relationships between commerce and agriculture

Since capitalism penetrates non capitalist societies irregularly, it is possible to identify whole geographical regions that are characterized by one or other form of circulation complementing an identifiably dominant mode of production. Blaikie, Cameron and Seddon (1976) have, for instance, achieved this for centre and periphery Nepal. Centre and Periphery here have connotations, not only of cartesian geographical space, but also of relationships

to concentrations of capital, an idea developed by Patnaik (1973). It must be equally possible to observe the range of types of trading role within one commodity market and/or between the commodity market of any one market town or place. As K.N. Chaudhuri notes (1975,p.1), it is not really meaningful to consider all towns, even all market towns, as identical types of entities. This is an obvious point: "The structure and organization of buying and selling markets need not be similar for trade to take place and, in fact, all through history they have differed widely from one society to another without impeding the free flow of goods and services between them. However, such differences demand considerable flexibility in commercial techniques on the part of merchants and traders who stand as the vital connecting link in the chain of economic transactions from the producers to the final consumers."

David Washbrook in a seminal paper (1973, pp.475-531) has identified two major and contrasting types of market towns and thus of rural-urban relationship in the Madras Presidency. He bases his economic and political contrasts on contrasting ecological zones. Before the advent of the British in traditionally well irrigated regions such as the Krishna and the Godavari delta zone "the inhabitants of the delta were more mobile and wealthier" (p.508) than those of dry districts since the potential of the land had facilitated very early on the cash-cropping of rice. And a distinctive trading pattern in rice had developed, based on the region's comparative advantage. "Marketing operations centred on a few towns which served wide areas." In contrast to dry areas, where urban merchants did not penetrate rural markets, here they were active in developing rural trade. Peasant producers, secure on their irrigated land, could themselves store grain and, together with the development of competitive urban trade, they were unlikely to become bonded by the accumulation of debts to any one creditor. Local farmers invested in rice mills and paddy was bought in relatively open markets, even

in rural areas. The accumulation and concentration of economic power was further hindered by the villages' lack of autonomy, for seasonal labour shortages forced the migration of the landless from the labour surplus dry districts to the wet ones. This "biannual influx destroyed the cohesion of the delta village." Village officers there had to be, but they were not the trader/usurers of the dry districts. A distinct political organization also took place based on the need for political brokerage.

By contrast in the dry zone, including North Arcot District, "The land... was marked by the small size of the holdings and the extreme poverty of the holders." The introduction of cash-cropping under the British produced a diversification rather than specialization of crop patterns, for reasons of ecological security. "Cultivators, even near markets, did not usually put more than a quarter of their land under a single cash crop," and marketing areas were limited to at best periodic market places for sporadic surpluses. "There was little scope for a fast moving grain trade which, in other parts of India, formed the backbone of commerce, and rice was a luxury available only to a few" (p.480). Marketed surplus was dominantly of a distress sort to meet obligatory cash taxes, and bulked by itinerant traders at shandies or periodic markets. The very few large scale farmers provided substantial supplies for the small towns, and the urban middleman who collected grain from itinerant traders and big farmers was the main beneficiary of the marketing system. The big farmer exploited the peasants' chronic debt bondage and their additional need for employment as agricultural labour to accumulate capital and "launch himself across the market." In this way, a small number of wealthy and commercially mobile peasants (with security enabling them to gain access to urban money markets and a triple hold over poor peasants comprising borrowing, labouring, and tenancy) increased

their power over the working of the rural economy. Directly and indirectly land was accumulated in their hands. The increase in commodity production also increased urbanization. Urbanization took the form of a large number of small towns.

Washbrook traces a distinct form of development for the market towns of dry districts as places for the circulation and consumption of surplus extracted on increasingly favourable terms from an increasingly impoverished peasantry. He also emphasizes the close relationship between an oligarchic commercial structure and an increasingly inegalitarian agrarian structure. This analysis corroborates both the Liptonian and the crude Marxist interpretations.

Fascinatingly, there is evidence that these regional contrasts and vulnerabilities continue to the present. Kurien and James in their comparative analysis of the Tamil Nadu economy in the 1960s observe inter alia that there are still major contrasts between wet districts such as Tanjore and dry districts, such as Salem. The former is characterized by a dense spread of villages, a low rate of urbanization with towns stagnant in population terms and based on competitive trading. The latter is still characterized by small scattered villages, a diversified and isolated rural economy, a high degree of urbanization polarized in form, and a large predominance of footloose migration (1975, 1979). Thus historical and contemporary evidence qualifies the simplicity of the transfer process, demonstrating the degree of overlap between the rural and the urban in both the process of transfer of resources and the terms on which the transfer takes place. It also demonstrates, not so much an ecological determinism, though it would appear to have some bounding validity, so much as the dependence of the commercial structure on the agrarian structure and the vulnerability of the former with respect to the latter.*

* Further, it adds empirical weight to a priori reasoning that it is invalid to substitute spatially variable data for time series data in order to investigate the effects of change.

Finally, as Levkovsky has observed, one businessman may be dealing in various modes simultaneously: "Many Indian capitalists were both business men of the epoch of primitive accumulation and modern entrepreneurs at the same time ... (with) fingers in many pies investing in trade, industry, finance and land" (op. cit. p.234).

Permutations and combinations of firms can clearly be very large in transitional markets, but the confusion about traders and their economic functions has stemmed from the theoretical aridity of research, rather than from its empirical richness.

These speculations have rather important implications for our conceptualization of rural development. If we can accept Lenin's conclusion that the form of the spread of capitalism is highly varied in time and space, and the conclusion of Marx that the form of penetration depends on the nature of the old mode of production, then in the short term (the World Bank's plans conceive of the 'short term' as comprising five to ten-year periods (1975,pp.65-67)), it may be helpful not to try to generalize, but instead to confine ourselves to the study of relationship between trade and rural development within a specific society and a relatively small geographical area, including the national economy and polity as it relates to this area. This is not to deny the value of global analysis, rather it is to provide building material for that edifice. Neither is this to advocate an empiricist approach. As Vergopoulos says, it is fruitless "to examine pure empirical situations in order to validate or invalidate theoretical conceptions. Empirical "proofs" are only valuable insofar as they allow us to discern tendencies" (1978, p.456).

The approach to theorising can then be consistent with the following remark of Marx: "events strikingly analagous but taking place in different historical surroundings led to totally different results. By studying each of these

forms of evolution separately and then comparing them one can easily find the clue to this phenomenon but one will never arrive there by using as one's master key a general... theory the supreme virtue of which consists in being suprahistorical" (op. cit. Book I; part 8).

9. Recapitulation and the State

Agricultural marketing systems have two potentially contradictory roles to play in economies whose resources are primarily agricultural. On the one hand it is through the process of commercialisation that not necessarily static but non capitalist societies have been drawn to national and international monetary systems. Increasing demands for money with which to purchase goods leads to increasing sensitivity to relative prices for agricultural commodities on the part of producers involved in exchange mediated by the market, to regional specialisation according to principles of comparative advantage and thus to an increase in total production. It is the agricultural marketing system which transmits the crucial price signals. On the other hand and in order to sustain non agricultural development, resources have to be transferred from the agricultural sector - physical resources to guarantee supplies of food to those who do not control its production, and of raw materials for agro industry, and financial resources for investment in all aspects of the non agricultural economy as well as for reinvestment in agriculture.

The form, direction, size and pace of this transfer of resources can be highly varied. Most exchange systems are simultaneously acting as resource allocators and resource extractors.

The net effect of an agricultural marketing or exchange system upon society will depend on the relationships of people to the means of production. These relationships condition who produces and who consumes how much, where and why. The economy thus consists of three closely meshed

spheres: production, exchange and consumption. Some consideration of all of these is required in order to understand the way in which any one sphere has developed historically and the nature of its interrelationships.

The State intervenes of its own accord and in response to events in the world economy to modify the mobilisation and distribution of resources. For the purpose of an analysis of agricultural marketing the sphere of exchange can be subdivided into that of the private sector and that of the State. We shall assume a priori that the State is an arena of action, engaged in production, exchange and distribution, interacting with and reflecting the actions of the wider polity. We shall not assume its role a priori as benign (a word with two further distinct connotations: firstly positively welfare oriented, and secondly neutral and non-malignant) nor shall we seek to build evidence to condemn the State as monolithically oppressive of those engaged in production. In examining the action of the State we need to "identify the purposes which the activity serves both directly and indirectly, the justifications which are offerred to legitimate the activity, and the assumptions, often implicit, by which its agents define their situation, objectives and actions" (Williams, forthcoming).

It is only in this way that it is possible to build up any understanding of the forces shaping policy at the Central, national level in India, policy in turn filtered through and adapted by the legislatures of the constituent States (which may and do also generate their own), policy which is implemented (i.e. forms an arena of action) in ways which have not been systematically studied in a manifold variety of agrarian regions, each with different historical relations between production and exchange. It is only in such a way that we may systematise the study of commercialisation and rural development.

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